



WHITE PAPER

INSURANCE POLICY ADMINISTRATION

**UNDERSTANDING WORKSITE: BE ALERT
TO NEW OPPORTUNITIES IN THE VOLUNTARY
BENEFITS BUSINESS**

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WORKSITE MARKETING: AN INTRODUCTION

Several trends in insurance are prompting insurance carriers to reconsider worksite marketing (also known as voluntary benefits marketing) as a viable sales channel to increase profitability and promote growth. Some of the drivers behind this:

- A saturated Group Benefits market in the US is pushing carriers to look for alternative revenue streams.
- There is increased competition from Healthcare organizations, and other insurers, who are looking to get into this space. Insurers want to get a market share before this market gets saturated or losing existing business to competitors. If they don't offer creates retention issue.
- Employers are looking to provide employees with these benefits as a mechanism to control increasing company healthcare costs. Employers want to stay competitive with other employers who offer these benefits. There is a general push to consumer driven benefits and consumer choice. This means employers have expectations that insurers will be able to provide Voluntary Worksite benefits.
- Through Voluntary Worksite Benefits, insurers get to work directly with the individuals and allows them targeted marketing opportunities.
- The persistence of policies as they can be carried over by employees to their new jobs makes them attractive to insurers.

What is worksite marketing?

As a first step, it is important to define what worksite marketing is and what it is not.

Worksite marketing is not simply the sale of group voluntary benefits or ancillary benefits to a specific captive group. Worksite marketing reflects the fact that the products are being sold to individuals at their place of employment, rather than in the home. While we choose to use the term "Worksite Marketing," the process is also commonly referred to as "Workplace Marketing."

Worksite marketing is a complex process.

It begins with educating the market about the various product and benefits, and then listening to the market, brokers, employers and employees, to understand the unique needs of the organization. Carriers and brokers must work closely to develop and package benefits into a worksite marketing plan based on the requirements of the specific organization. Carriers and brokers also work closely to market the plan benefits, a process that begins with educating the individual employees on the products and services being offered, and then selling and administering those benefits.

What is worksite marketing?

Worksite benefits are written for the individual policyholder rather than the group sponsor.

Worksite benefits and worksite plans

Worksite plans, which are the packages of benefits that the broker and group sponsor have developed to be offered to the employees, may vary greatly from one company to the next. The plans may include both traditional group benefits as well as individual lines. Today, some of the more common individual benefits offered in worksite plans include:

- Individual Life (term, whole, variable, universal)
- Disability Income (LTD, STD)
- 125 “POP” Plans / HSA / HRA / FSA
- Dental (pre-paid / non-indemnity)
- Vision
- Group Voluntary Life (not an individual policy)
- Accident
- Long Term Care
- Critical Illness
- Supplemental Medical

Regardless of the benefits that are chosen by the organization for a worksite plan, the distinguishing attributes of worksite benefits are that they are written for, sold to and owned by the individual employee, rather than the group sponsor.

One other important aspect of worksite marketing benefits, which distinguish them from group voluntary benefits, is the fact that, while they may be paid via payroll deductions, they are portable and “travel” with the individual policyholder if they have a change in employment.

Characteristics of Worksite Plans

	Voluntary benefits	Ancillary/specialty benefits	Worksite benefits
Marketed and sold to:	Group	Usually Group (in some cases)	Individual
Marketed and sold to:	Employer/group sponsor	Employer – elected by individual employees	Individual employees
Premiums paid by:	Employer/group sponsor	Employer and employees in varying percentages	Individual employees
How is premium collected?:	Payroll deduction	Payroll deduction	Payroll deduction or direct billing
Underwriting and pricing based on:	Group	Usually group (in some cases)	Individual
Cash value accumulation:	No	Based on product, but not common (Whole Life – yes, but not Term Life, Disability, Critical Care, etc)	Whole Life Universal Life Variable Universal Life
Persistent (policy remains in force after employee retires or leaves the company):	No	Limited to individual benefits	Yes

Who are the key the players?

Carriers, brokers and administrators must work closely to serve the needs of groups and individuals.

Carriers and Third Party Administrators (TPAs)

The benefits that are being packaged and sold in worksite plans are traditionally the domain of life insurance carriers, but competition is also coming from healthcare providers in the form of voluntary and “ancillary” group benefits.

Brokers

In a soft insurance market, worksite marketing is a great opportunity for brokers, but there is a large investment to be made in order to understand the unique needs of the client and craft the worksite plan that is right for them. Of course, the brokers must be fully licensed to sell all of the individual benefits that are being offered through the worksite marketing program.

Employers

Although large employers have traditionally been the target for worksite marketing due to the large number of employees, mid-size and smaller organizations are also interested in worksite benefits as a way to attract and retain employees. Large, multi-state employers bring an additional dimension of complexity to the worksite marketing equation due to the state laws and regulations on the benefits and how they are sold and serviced.

Employees

Arguably the most critical player in the worksite game, employees must be educated on the benefits before they can be turned into policyholders. Employees also expect the same high level of customer service in terms of claims and policy administration.

Technology and service providers

Grouped into this category are some new and growing players, the professional enrollment advisors and service bureaus. Although many large full-service brokers provide automated enrollment, consultation and other services, many other brokers do not provide additional services. It is critical for those brokers who do not provide enrollment assistance or financial advice to partner with an organization that can augment their capabilities and provide employees with a complete range of services.

Six key issues to consider

The group benefits market in the U.S. is reaching a point of saturation.

1. Market saturation

With the group benefits market in the U.S. essentially saturated and carriers exchanging market share year-over-year rather than expanding market share, worksite marketing is seen as a potential new revenue stream and a potential solution to an otherwise soft insurance market.

2. Increased competition

In addition to stagnant growth for group benefits, traditional life insurance carriers are seeing new and increasing competition from healthcare organizations who offer “ancillary” benefits to their captive audience of members. As the market moves to a customer driven healthcare model, where individuals are given greater freedom and selection over their healthcare coverage, health organizations are positioning to capitalize on this market. Those health organizations that can develop worksite marketing capabilities and products, or more likely acquire or partner with a carrier to provide worksite benefits, will best positioned to win in a consumer driven market.

The worksite sales process is much more consultative than traditional group sales.

3. Meeting the challenges of consumer-driven marketing

Sales and marketing

As the market changes to become more consumer-driven, so do the means by which products are sold. Sales and marketing must change to reflect the new consumer-driven market and consultative sales process. With the changes to the sales process, necessary for effective worksite marketing, comes the need for new, flexible incentive and compensation management. The worksite marketing sales process is a much more consultative one and brokers will expect to be compensated for the additional time and effort that they put into the sales process.

Managing incentives

Managing incentives and paying commissions for worksite marketing requires that carriers perform the following functions:

- Manage the hierarchy of brokers and commission arrangements.
- Configure commission arrangements quickly and effectively for new sales.
- Analyze and report on effective agents and products as well as roi.

Offering and servicing new products

For carriers, administering and servicing worksite benefits can result in significant organization impact and may require certain organizational changes. Staff skills must be updated so support and service the new products that may be new to personnel. In order to sell and service the new products, there is often a technology change that needs to be implemented, which requires further staff training. With new products and technology comes the need for process changes, by either reengineering the “old way” of doing business to or developing new operations.

Carriers must comply with new rules and regulations in the worksite market.

4. Responding rapidly to evolving markets

Another element of significant importance is the carriers ability to configure, price and service new or different products for the worksite market. Carriers must be able to modify existing products or design and offer new products rapidly, in order to meet the unique needs of employers and employees. Carriers must also provide services to new products that may not have been previously provided, especially for group term life insurance carriers. In this situation, carriers are now faced with the need to provide shareholder services for whole life products, as well as annuity claim quotes and processing, just to name a few.

5. Compliance

Of course, the opening of these new markets and opportunities does not come without rules and regulations and it is imperative that carriers comply with the regulations for funding life insurance products that carry a cash value. Whole life, universal life and variable life policies must be put through modified endowment contract (MEC) testing, such as the 7-pay premium test, which are complex and may result in specific remediation steps, which also must be supported by the carrier.

6. Emerging markets

A final challenge to mention, which insurance carriers are faced with, is how to aggressively approach the U.S. worksite market as growth in emerging markets has dominated the strategic direction of the organization and the competition. How does the worksite marketing initiative fit into the overall strategy, with such a heavy focus on emerging markets?

Considering that employers in many European countries are looking for ways to attract and retain skilled employees, worksite marketing may not be too far off for these "newer" markets.

Can carriers find ways to introduce new worksite benefits for North America and re-use these products in emerging markets? Emerging markets are far from mature, but there could be a "leapfrog" in the market approach, from a group-focus to a customer-focus, if there is a strong market demand.

Capitalizing on opportunities

How will worksite marketing be accomplished on a wider scale, to smaller organizations?

Investing for the future

Worksite marketing provides a number of opportunities to increase gross premium, but there are also a number of areas that may require investment to support the worksite benefits once they are in force, including automated electronic enrollment, enhanced billing options, portability of life products, compliance testing and corrective procedures.

Smaller carriers, who do not have the bandwidth to enact all of the changes necessary but still want to capitalize on worksite marketing, may choose to acquire or partner with specialists in the field. These specialists can provide expertise in product development, sales and marketing, or enrollment and support, on a much shorter timeline than if the insurer were to build all of the worksite marketing products and supporting capabilities on their own.

Marketing at the individual level

The opportunities that worksite marketing initiatives present to insurance carriers far outweigh the issues and challenges. Worksite marketing presents carriers with the opportunity to contact and communicate with policyholders directly, rather than as a part of an employer sponsored group, so that target marketing can be done at the individual level.

In a crowded market, worksite benefits and the ability to market to the individual policyholders provide carriers with an opportunity to differentiate their organizations from the competition. In order to capitalize on this opportunity, however, carriers must be agile and flexible; Agile in their ability to develop and roll out new products quickly, almost in "real-time," and flexible with regard to underwriting and pricing guidelines.

Simply configuring and selling the plans and benefits is only the beginning.

Educating the market

Educating the market will be a big challenge, but it will also, perhaps, present the greatest opportunity because it will allow carriers to create and even define the market, as Aflac has done with supplemental disability.

An expanding portfolio of flexible benefit options

Worksite benefits are quickly expanding beyond the "traditional" life, health and wealth coverage and into both traditional and new insurance lines, such as property and casualty, mortgage insurance and specialty lines, as well as, purchase assistance programs, health savings, flexible spending, health reimbursement accounts and Section 125 Premium Only Plans.

Differentiation can also come in the form of flexible benefit options, as well as flexible underwriting and pricing of worksite benefits. Flexible options may include additional purchase guarantees, family coverage and guaranteed coverage for certain lines.

Flexible underwriting and pricing may also involve a more personalized, individualized underwriting process in which the employee's personal history is taken into account when determining the rates across the various benefits that make up the worksite plan. Flexible underwriting may go as far as guaranteeing coverage for all applicants and/or family members, for certain lines of business.

Increasing efficiency

The flexibility to provide products and services requires operational efficiency, so carriers that can apply these efficiencies elsewhere in the organization, will be able to reap the benefits of worksite marketing within the operations of their other product lines. After the sales have been made, the policies written and the employees enrolled, carriers must have the operations in place to provide quality customer service or else they will run the risk of losing the new business before sales and marketing costs can be recouped. So simply configuring and selling the plans and benefits is only the beginning.

There are many issues and challenges for all of the players in the worksite marketing space, but there are also an extraordinary number of opportunities.

Benefits for carriers

Worksite marketing offers a number of opportunities to insurers, beyond the obvious financial benefits.

Above and beyond the obvious increase in premiums written, there are a number of benefits that may not be as easily or immediately measured, but are nonetheless compelling.

- **More contact/touch points with clients**
By maintaining a dialog with the customer, carriers will have constant communication and increase their customer intelligence, thereby allow marketing campaigns to be more effective and efficient.
- **Increased wallet share**
Remember the old adage, "If they're not buying from you, they're buying from someone else."
- **Lifecycle product marketing**
Having sold the coverage directly to the individual, carriers now own the client relationship directly, without having to go through the employer or group sponsor to market additional products and services. This can be most effective in "lifecycle" or "life stage marketing."
- **Persistent life products**
Revenue stability from year-over-year premium renewal rather than one year term policies.
- **Effective management of the worksite benefit lifecycle**
By taking a strong leadership position in managing the worksite marketing lifecycle, carriers will be able to better own and maintain the customer contact and retention. This is important as a means of preventing lapse of individual policies as well as non-renewal of group policies.
- **Quicker product launch/time-to-market**
Immediate feedback on products helps to better define future offerings.

What's next for worksite marketing?

Worksite sales have increased 150% in the last 10 years.

Based on the litany of challenges and opportunities presented, where is worksite marketing headed?

Heading in a direction of growth and expansion

According to Eastbridge Consulting Group, recognized...

Industry trends

Customer centricity and consumer-driven healthcare. The market trend toward customer centricity and consumer driven healthcare will advance, as will the convergence of financial services as a whole. Costs will also continue to rise and more employers will seek new ways of minimizing these costs while still offering employees with a full suite of benefits; all of which points to an increase in worksite marketing to provide individuals with the benefits that they need and in a secure, one-stop-shopping model.

Financial institutions will move away from pushing products and becoming more customer focused and address the market based on customer needs. For example, the brokers' questions will revolve around the individual consumer's insurance and healthcare needs, as well as their wealth management needs, rather than the group sponsor's needs.

How will brokers and carriers provide a scalable solution to a problem that requires such a high degree of personal attention?

Regulatory environment

Regulations will also continue to evolve, with the primary agenda of protecting the consumer, such as:

- Universal healthcare at the state level,
- Federal provisions under which employers with qualified plans are allowed to offer benefit and investment advice to employees and the
- IRS guidelines allowing HSAs to be funded from one-time IRA withdrawals

Growth potential

Worksite products that are showing the most likely potential for growth include:

- Voluntary Life
- Disability Income (Long and Short Term Disability)
- Critical Illness
- Health and medical savings accounts, including Section 125 plans

“Life Event” planning

Another trend is having coverage for “life events” and planning purposes, such as:

- Individual Disability and Income Replacement
- Waiver of premium options
- Long Term Care
- Specific supplemental coverages (ambulance, in-home care)
- Specific coverage for Cancer/Heart/Stroke
- Pharmaceutical/Discount Drug Programs

Specialty lines

Lines of coverage that were previously discredited and disqualified from the group benefit plan due to lack of interest will be made available to individuals in a worksite setting such as pet insurance, fraud protection and other specialty lines.

Limited healthcare benefit plans

One benefit that seems to be catching the wave is the Mini-Med/Hospital Indemnity plan, which provides limited healthcare benefits and is becoming an alternative for uninsured workers. This type of coverage was previously marketed to part-time, seasonal, temporary, hourly, and 1099 employees, but is now beginning to have a broader appeal.

Focus on larger organizations

Due to the effort involved in selling worksite benefits, large organizations will continue to be the initial target of worksite marketing initiatives. While these larger groups will be sought after for the number of potential new policyholders, small employers will be largely underserved.

How will brokers and carriers provide a scalable solution to a problem that requires such a high degree of personal attention?

The future

Will carriers market, or provide access to worksite plan configuration tools, directly to employers over the web, thereby cutting out the broker?

Worksite benefits without the work?

Will affinity groups take a larger role for the self insured and otherwise underserved? In August of 2008, the Kraft family, owners of the New England Patriots, along with the Federal Reserve Bank of Boston held a mortgage foreclosure seminar at Gillette Stadium during Patriot’s training camp. Will individuals have more trust in an affinity or social group (or a professional sports franchise) than in their employer?

Only time will tell whether the term “worksite” will prove to be too limited in scope, as other groups may be able to provide better product pricing for their members. Insurance or affinity groups, such as the AARP, church groups or large fraternal organization, may be better able to negotiate rates and have more buying power than small employers. We could also see the rise of collective insurance groups that offer to take small employers under their wing, for a fee.

Although there are many issues and challenges for all of the players in the worksite marketing space, there are also an extraordinary number of opportunities and benefits for organizations that seize those opportunities.

Keys to successful worksite marketing

The keys to successful worksite marketing are education and understanding, agility in product configuration, flexible underwriting and pricing, and an enhanced customer experience.

Education and understanding comes in the form of training for brokers as well as general market education on the types of products and services available via worksite marketing plans. Innovative products and plan design involves carriers working with brokers to understand the employer and employee requirements and then develop the plan that best fits the needs of the organization and the individuals.

Flexible underwriting and pricing guidelines are necessary for worksite marketing plans to be sold to the employer and employee to maximize wallet share. Brokers and carriers have quickly learned that the convenience of worksite marketing does not completely outweigh the need for a value proposition to attract customers to the products being offered. Employees are not purchasing individual policies and benefits simply because they are being offered at work; the coverage has to be as good (or better) than what they could find on their own in the open market.

Customer interaction is comprised of several different touch points for any product, whether sold in a worksite setting or not. Expectations for service are heightened for worksite benefits, from automated electronic enrollment, to payroll deduction billing, to web self-service portals.

Enhancing the customer experience takes customer service to the next level by providing advisory services around life, wealth and even health benefits. Advisory services are also provided for the enrollment process, which can be complicated for individual policyholders but is extremely important for the insurer that the enrollment is effective and efficient. If participants are not enrolled correctly and efficiently, more time and effort will be required to re-enroll and possibly re-write policies for these individuals, which will obviously eat into profits for carriers and brokers. There is some difference of opinion in the market regarding who is responsible for enrolment accuracy and efficiency; the carriers or the brokers. Meanwhile, professional enrollment agencies have burst on to the scene and are out there to assist whoever ultimately owns this piece of the process.

How will brokers and carriers provide a scalable solution to a problem that requires such a high degree of personal attention?

Challenges

The customer views Worksite Products as a growth area for their business. The client's mainstream administration systems could not support Worksite Products in any phase of the policy life cycle. The incubation platform, which the client initially put the worksite products on, limited the control of administration and hindered cross selling within traditional sales channel. The manual processes implemented were not able to support large volumes.

Solution

Partner with FIS to implement functionality to support one distinct company with one look and feel for the worksite cases on Compass.

- Support the ability to administer worksite products (including Issue-age products) on Compass for billing, premium accounting, customer service, enrollment and claim eligibility maintenance, portability/COBRA/continuation of coverage.
- Support the ability for sales to add worksite coverage plans to an existing group.
- Support increasing lines of coverage on an existing worksite group.
- Support a collaborative selling model with traditional and worksite sales representatives working on a case together.
- Produce one bill per case that includes all employee paid products.
- Allow policyholder selection of billing mode as either in advance or in arrears for all employee-paid coverage.

Benefits

Fully automated worksite selling, integrated with upstream and downstream systems to promote cross selling. Single view of customer helped.

About FIS' Solutions for Insurers

FIS empowers insurers across life and annuity, health, property and casualty business lines with solutions that support their end-to-end process needs. Our integrated products and services enable companies to increase system and process efficiency, control costs, manage risk and capital better, improve business decisions, design more competitive offerings, and engage successfully with their customers. We provide comprehensive support across the functional ecosystem, including actuarial and risk, finance and accounting, investments, reporting and compliance, policy and claims management, and member services. FIS partners with insurance firms at over 1500 sites in more than 65 countries, helping them to stay ahead of change and meet their goals.

About FIS

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